

**CITY OF MORGAN HILL
SPECIAL CITY COUNCIL MEETING
MINUTES – MAY 19, 2006**

CALL TO ORDER

Mayor Kennedy called the special meeting to order at 8:40 a.m.

ROLL CALL ATTENDANCE

Present: Council Members Carr, Grzan, Sellers, Tate and Mayor Kennedy

DECLARATION OF POSTING OF AGENDA

Deputy City Clerk Malone declared that the special meeting agenda was duly noticed and posted in accordance with Government Code 54954.2.

City Council Action

WORKSHOP:

The City Council conducted an all day workshop, working through a series of strategic financial issues relating to the following topics: 1) Community Conversation, Sustainable Budget Strategy, and Redevelopment Agency Plan Amendment.

Staff presented the City Council with the results of the Community Conversations and the results of the statistically significant poll of likely voters in Morgan Hill. Staff reviewed the expenditure and revenue projections through the next five-years; including how these projections have changed over the years. Staff and the Council talked about significant strategic issues such as the under funding of the street and park maintenance and the need for additional fire protection.

City Manager Tewes informed the Council that it will be holding a public hearing on June 7 to consider the budget recommendations for next fiscal year.

The Council devoted most of the workshop time discussing the long range budget strategy. Highlights of the Council's workshop discussion include the following:

- As measured by the Community Conversation responses and the statistically significant sample of likely voters, it is clear that residents like living in Morgan Hill, and are generally satisfied with the current level of city services.
- The Council determined not to place a tax measure on the November 2006, ballot and not to reduce services from the current levels at this time.

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- The Council recognized the City would continue to use some of the substantial reserves to fund general fund services; noting that the deficit continues at a lower rate than had been previously forecasted. This is primarily attributed to a stronger sales and property tax growth.
 - The Council recognized that merely keeping staffing levels constant was not the same as keeping service levels constant as the community continues to grow. This is especially true in the areas of the priorities of police and fire services where keeping staffing levels constant may not be adequate to keep up with the service levels required of a growing community.
 - The Council/Redevelopment Agency is to pursue an extension of the Redevelopment Agency's tax increment authority, but with a smaller project area. By shrinking the project area, somewhat, it would add approximately \$800,000 annually to the general fund and somewhat more than this amount to the County's general fund. In conjunction with the opportunity for debt financing, the Council learned that there is an opportunity to perform a significant amount of investment in meeting Redevelopment needs; and yet provide additional revenues to the general fund.
 - The Council determined it wants staff to evaluate ways to continue the civic engagement process. Staff to consider how the City can get citizens to continue to talk about the community's desired level of service and how to pay for this level of service. The Council directed staff to return with ideas on how to do so for the June 7 public hearing.

CLOSED SESSIONS:

City Attorney Kern announced the below listed closed session item.

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority: Government Code Sections 54956.9(b) & (c)
Number of Potential Cases: 1

OPPORTUNITY FOR PUBLIC COMMENT

Mayor/Chairman Kennedy opened the Closed Session item to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Mayor/Chairman Kennedy adjourned the meeting to Closed Session at 3:35 p.m.

RECONVENE

Mayor/Chairman Kennedy reconvened the meeting at 4:48 p.m.

CLOSED SESSION ANNOUNCEMENT

City Attorney Kern announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 4:49 p.m.

MINUTES PREPARED BY:

IRMA TORREZ, CITY CLERK